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SUBJECT: CLIMATE CHANGE: AUSTRIA TALKING TOUGH, BUT ACTING SOFTLY

Summary

1. Austria, with one of the most ambitious Kyoto Protocol targets, has thus far failed to achieve its emissions reduction goals. According to Austria's 1997 Kyoto Protocol commitment, it should reduce emissions to no more than 69 million tons of CO2 equivalent by 2012. In 2005 Austria emitted 93 million tons. Between 1997 and 2005, there was only one year when emissions did not rise. Austria's deviation from its Kyoto target and actual emissions is one of the widest among developed countries. In an effort to achieve its Kyoto target, the GoA plans to place more emphasis on investments abroad that would count towards Austrian CO2 reductions. If current trends continue, Austria may have to buy as much as Euro 1.5 billion worth of emissions certificates from nations in surplus.
End Summary.

Austrian CO2 Emissions Rising and Rising

2. According to January 2007 figures from the Austrian Federal Environment Agency (FEA), Austria emitted a record level of greenhouse gases in 2005, the equivalent of 93 million tons of CO2. This is 18% more than in 1990, the Kyoto reference year (79 million tons). The figure is also more than 30% above the self-proclaimed goal of 68.9 million tons that Austria wants to reach in 2008-2012. Since 1995, greenhouse gas emissions rose constantly until 2003. The introduction of a federal climate strategy in 2002 apparently triggered a turnaround in 2004 with a small drop in emissions. However, an increase of 2.3% in 2005 signals a return to previous trends.

No Sector Improving, But Transportation is Worst

3. The figures are even more discouraging for Austria's plan when you consider sectoral emissions. 26.5% percent come from industry with an increase from 22.3 to 24.7 million tons of CO2 equivalents compared to 1990. Transportation (26.2% of total) almost doubled emissions from 12.8 to 24.4 million tons. Energy production contributes 17.1% to emissions, with an increase from 13.7 to 15.9 million tons. While the EU's Emissions Trading Scheme (ETS) covers industrial and energy production emissions, national measures must address the fast growing transportation emissions.

At Least Seven EU Countries to Miss Kyoto Targets

4. Compared to other EU Member States with emissions reduction

plans, Austria ranks number 21 out of 23 in terms of achieving reduction goals. According to Helmut Hojesky, the chief GoA expert on climate change in the Ministry of Agriculture and Environment, Austria is among at least seven countries that will miss targets with current policies. Hojesky maintained that many EU countries are facing similar challenges. Most Member States that are achieving targets have either profited from the favorable base year (1990) following the collapse of the East Bloc or from very low reduction goals (e.g., Greece).

¶5. With regard to the EU's ETS, Austria submitted its second National Allocation Plan (NAP) for the period 2008-2012 in January 2007. The submission was six months late and came only after the Commission had sent the GoA a warning letter. The initial NAP for 2005-2007 more or less matched with anticipated industrial emissions, so companies did not have to buy certificates on the emissions certificates market. The new NAP calculates emissions reductions of 5.3 tons per year (-14%), which may trigger significant savings efforts. However, the ETS covers only 43% of Austria's CO2 emissions.

GoA Program Focusing On Energy Efficiency

¶6. To meet these targets, the new Austrian Government has announced the following measures:

- doubling the production of renewable energy to at least 25% by 2010;
- increasing the use of alternative fuels to 10% by 2010 and 20% by 2020;
- improving energy intensity by 5% by 2010 and by at least 20% by 2020;
- and running 5% of all cars on alternative fuels by 2010.

Further, the GoA plans to create a Euro 500 million fund to finance energy and climate protection projects, such as making new environmental technologies economically feasible.

Blaming Germans And Italians For Rising Emissions

¶7. Reducing transportation emissions remains Austria's biggest challenge. The GoA plans to increase the mineral gas tax slightly by leveling a one Eurocent tax on gasoline and a three Eurocent tax on diesel fuel. However, the GoA intends to use the additional revenues mainly for investments in road and rail expansion. According to the FEA, 34% of transportation emissions originate from Italian and German vehicles crossing the border to buy cheaper Austrian gas. The GoA has asked for the Commission's permission to deduct these emissions (8.4 million tons of CO2 equivalents) from Austria's overall emission figures. The GoA has acknowledged to us that this scheme would do nothing to reduce overall levels of emissions in the EU.

Climate Change Investments Abroad Are The Last Hope

¶8. A glimmer of hope to achieve Austria's Kyoto goals is the use of the Kyoto Protocol's flexible mechanisms: Joint Implementation (JI) -- cooperating with developing countries to meet their Kyoto targets; and the Clean Development Mechanism (CDM) -- crediting climate protection activities in developing countries. The GoA estimates that Austrian emission reduction projects abroad account for savings of more than 10 million tons of CO2 equivalents. Austria has already completed 31 JI and CDM projects, with 170 in process at an investment volume of Euro 290 million.

Buying Emissions Certificates For Euro 1.5 Billion

¶9. The GoA has told us that it would most likely have to buy emission certificates from countries with a certificate surplus to meet its Kyoto targets. The Commission could start treaty violation procedures, should Austria fail to reduce emissions as promised. The Austrian Economic Research Institute's climate expert, Stefan Schleicher, estimates that Austria will miss its commitments by 30 million tons per year over the 2008-2012 observation period, or 150 million tons total. Assuming an average price of Euro 10 per ton of CO2 emissions over this period, Austria would have to purchase approximately Euro 1.5 billion worth of emissions certificates.

Strategy Emphasizes Cuts In Developing Countries

¶10. Minister of Agriculture and Environment Josef Proell recently announced details of a new strategy to reduce emissions. Proell acknowledged that Austria's emissions will be at only 77.7 million tons of CO2 equivalents by 2010. The GoA must therefore purchase the approximately nine million tons shortfall through JI/CDM investments. Compared to the 2002 strategy, the new plan allows for an additional two million tons of industrial and transportation emissions per year. Opposition parties and environmental NGOs have harshly criticized the plan, arguing that the GoA should concentrate more on reducing emissions in Austria.

Comment: Not Practicing What You Preach

¶11. Austria will continue to fail to meet its Kyoto Protocol commitments. It appears that the Kyoto targets conflict with the prospects of slower economic growth and possible job losses associated with strict implementation of Austria's ambitious targets. Austria remains a good example of a developed nation that is fighting climate change primarily with strong words, rather than with actual deeds.

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